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## China exports 6.17 million tonnes of steel in May 2007

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As per latest report from China's ministry of commerce China exported 6.17 million tonnes of steel products in May 2007, which is less by 0.99 million tonnes from all time high exports in April 2007. But the exports of billet & slab in May 2007 stood at 0.97 million tonne up by 0.1 million tonnes as compared to April levels. Some expert attributed export decline to 7 days Labor Day Holiday in May.

On the other hand China's imports of finished steel products in May 2007 dropped to 1.38 million tonnes down by 0.25 million tonnes as compared to April 2007. Monthly imports of semis also decreased to 10,000 tonnes down by 10,000 tonnes as compared to April 2007. China's imports of iron ore registered 27.62 million tonnes in May 2007 down by 5.75 million tonnes from April 2007.

China's steel export during January to May 2007 amounted to some 27.44 million tons up by 116.7% YoY. China imported 7.28 million tonnes of steel products in January to May 2007 period down by 6% YoY. Therefore, net steel exports added to some 20.16 million tonnes, valued at some USD 9.44 billion.

Mr Yang Hongbin a ministry of commerce official from the Shanghai office said that the explosive growth was partly due to market expectations of a policy to increase the export tax on steel products, which resulted in vigorous sales by exporters over the five month period.

Mr Luo Bingsheng deputy chairman of the China Iron and Steel Association said that "China's excessive steel export should be curtailed. We should prevent steel exports from too quickly rising and strengthen product structure adjustment. China's steel export should account for 10% of the nation's total outputs. China's steel export will decrease in the second half year when compared with that during January to April and is likely to be parallel with steel exports in 2006 or even lower. Meanwhile, domestic supply will therefore increase." He foresees two scenario's in steel exports in the second half of 2007.

One is that steel export will sharply drop owing to rising costs caused by Chinese government's relative macro control policies, resulting in increasing domestic supply but falling market prices. Gap between domestic market price and international price will be further widened, under which steel export will rebound up, arousing more macro control policies. Domestic market prices will show greater fluctuations, which we are reluctant to see.

The other one is that steel export will slide during the second half year on government's policies. Steel makers also organize production according to real demand. Plus effects of obsolete capacity elimination, steel output will maintain modest growth. Supply and demand will be thus in new balance. Domestic market will be stabilized, which is our goal.

Mr Zhao Yushen an analyst commented that the downward trend in steel product exports from April to May gave a dangerous signal to the domestic market. He predicted that exports in the second half of this year will continue to slide, further suppressing domestic prices. He said "We predict annual prices to fall to their lowest point in August, due to slack domestic consumption and a slowdown in exports. Prices will probably rebound in September as consumption recovers but price stability still depends on how much new hot-rolled capacity can be commissioned and how much outdated capacity can be eliminated in the second half this year."

(Sourced from MySteel.net)

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